2 November 2026

MORNING REPORT

Today's economic developments and market movements.

Key themes

Sentiment was downbeat to end the week as US tech earnings disappointed market expectations. Reports of potential further US strikes on Iran added to the risk-off tone. Elsewhere, the BoJ left its policy rate unchanged.

Global equities moved lower as concerns around the AI trade intensified, with US technology stocks and tech-exposed Asian markets bearing the brunt of declines.

Safe-haven demand supported US Treasuries, although higher oil prices capped gains, while markets price an 80% probability of a hike at this week's RBA meeting.

The US dollar eased modestly, while the AUD was little changed and the yen gained after the BoJ signalled upside risks to inflation.

Oil prices advanced on the prospect of further US strikes on Iran, with Brent posting its highest weekly close since the conflict began, while higher oil prices and inflation concerns weighed heavily on gold.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	65.2	-0.3%
AUD/USD	0.7030	0.0%
AUD/JPY	110.79	-0.1%
AUD/GBP	0.5260	0.1%
AUD/NZD	1.2475	0.0%
AUD/EUR	0.6301	0.2%
AUD/CNH	4.6754	-0.1%
AUD/SGD	0.8986	-0.1%
AUD/HKD	5.5147	0.0%
AUD/CAD	0.9823	-0.1%
EUR/USD	1.1158	-0.2%
USD/JPY	157.49	-0.1%
USD Index	101.88	-0.2%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	4.78	0.01
90 day BBSY	4.95	-0.01
180 day BBSY	5.30	0.00
1 year swap	4.97	-0.01
2 year swap	4.88	-0.02
3 year swap	4.83	-0.03
4 year swap	4.84	-0.03
5 year swap	4.86	-0.03
6 year swap	4.90	-0.04
7 year swap	4.95	-0.04
8 year swap	5.00	-0.04
9 year swap	5.04	-0.04
10 year swap	5.08	-0.04

Equities	Close	Change
S&P/ASX 200	8,908	0.2%
S&P 500	7,580	-1.8%
Japan Nikkei	63,290	-2.1%
Hang Seng	23,294	1.5%
Euro Stoxx 50	6,131	-1.2%
UK FTSE100	10,730	0.1%
VIX Index	19.42	12.9%

Government Bond Yields	Close	Change
Australia		
3 year bond	4.81	-0.05
10 year bond	5.12	-0.05
United States		
3-month T Bill	3.98	-0.01
2 year bond	4.59	-0.01
10 year bond	4.93	-0.01
Other (10 year yields)		
Germany	3.32	-0.03
Japan	2.78	-0.06
UK	5.28	-0.01

Commodities	Current	Change
CRB Index	411.10	0.0%
Gold	3874.62	-3.7%
Copper	14154	-1.4%
Oil (WTI futures)	104.12	2.1%
Coal (coking)	264.00	0.6%
Coal (thermal)	154.95	1.5%
Iron Ore	91.05	-0.7%
ACCU	36.13	-4.3%

Sydney Futures Exchange	Current	Change
10 yr bond	5.14	0.01
3 yr bond	4.81	0.00
3 mth bill rate	4.77	0.00
SPI 200	8,914	0.0%

Data as at 7:00am AEST. Change is from the previous trading day (excluding the SFE, which is the change during the night session). Source: Bloomberg.

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Financial Markets

Sentiment was downbeat to end the week as US tech earnings disappointed market expectations, accelerating the rotation out of the AI trade. Oil prices advanced as markets positioned for the prospect of further US strikes on Iran, with reports that a senior commander had briefed President Trump on military options. President Trump has repeatedly signalled he may resume strikes against Iran following the midterms. Adding to market turmoil, an estimated $6.3bn in funds was reportedly stolen from Binance in a hack attributed to North Korea. Elsewhere, the Bank of Japan left its policy rate unchanged at 1.25%, as widely expected.

- US equities moved sharply lower as markets were disappointed by Amazon's earnings and a weaker-than-expected revenue outlook from Intel. The S&P 500 fell 1.8% on Friday, leaving the index 0.6% lower over the week. The NASDAQ bore the brunt of the decline, falling 2.9%, while the Dow Jones lost 1.1%. The VIX rose 12.9%. European equities were also generally weaker, with the Euro Stoxx 50 down 1.2%, while the FTSE 100 managed a 0.1% gain.
- Disappointment around US tech earnings weighed on the outlook for semiconductor demand, sending tech-exposed Asian equities lower. The KOSPI bore the brunt of the risk-off sentiment, falling 3.5%, while the Nikkei 225 declined 2.1%. The Hang Seng bucked the trend, gaining 1.5%. Locally, the ASX 200 rose 0.2%, taking its weekly gain to 1.3%.
- US Treasuries found some support from safe-haven demand, although higher oil prices capped the rally. Both the 2-year and 10-year Treasury yields fell 1bp. Futures markets remain somewhat cautious around further Fed tightening in 2026, with the probability of a December hike sitting at 73%, taking the implied year-end fed funds rate to 4.06%. Following the BoJ's decision to leave rates unchanged, the 10-year JGB yield fell 6bps.
- Australian government bond yields tracked the previous day's rally in global bonds, with both the 3-year and 10-year yields falling 5bps. Swap markets price the probability of a hike at this week's RBA meeting at 80%, while a December move is seen as near certain, taking the implied year-end cash rate to 4.85%.
- The US dollar eased modestly on Friday, with the DXY down 0.2%. The AUD was little changed against the greenback at 0.7030, while the euro fell 0.2% and sterling gained 0.1%. The yen also rose 0.1% against the USD after the BoJ signalled upside risks to inflation.
- Oil prices advanced ahead of the weekend as markets positioned for the prospect of further US strikes on Iran following the midterm elections. Brent rose 2.4% to US$118/bbl, its highest weekly close since the start of the conflict. WTI gained 2.1% to US$104/bbl, while Dated Brent traded close to the front-month futures contract at US$119/bbl. Gold fell sharply as higher oil prices fuelled inflation concerns, losing 3.7% and ending the week well below US$4,000/oz. Copper and aluminium also weakened amid the broader tech sell-off, falling 1.4% and 0.3% respectively, while iron ore declined 0.7%.

Today's key data and events

Time	Event	Exp	Prev
11:00	AU MI Inflation Gauge Oct	-	4.8%
11:30	AU Dwelling Approvals Sep	2.0%	-6.1%
11:30	JP S&P Global Mfg. PMI Oct Final	-	53.3pts
12:45	CN RatingDog Manufacturing PMI Oct	52pts	52.1pts
20:00	EZ S&P Global Mfg. PMI Oct Final	52.4pts	52.4pts
20:30	GB S&P Manufacturing PMI Oct Final	52.8pts	52.8pts
1:45	US S&P Manufacturing PMI Oct Final	56pts	56pts
2:00	US ISM Manufacturing Oct	54.5pts	54.5pts
2:00	US Construction Spending Sep	0.4%	0.9%

Times are AEST. All data forecasts are m/m or q/q and seasonally adjusted unless otherwise specified. Forecasts for Australian data are our forecasts and for other countries they are consensus forecasts.

International Data

The **US Employment Cost Index** grew 0.8% in Q3 as expected, a touch below the Q2 gain of 0.9%. In Q3, wages & salaries rose 0.7% while benefit costs increased 0.9%. In the private sector, wages & salaries gained 0.8% as benefit costs lifted 0.9%, broadly in line with Q2. Public sector outcomes were weaker in Q3 at 0.6% and 0.7% for wages & salaries and benefits respectively following two strong quarters in Q1 and Q2.

FOMC members Barkin advocated for further rate hikes: "The direction of travel is pretty straightforward — the question, though, is pace. A gradual approach is a good way to go, and we'll see what we learn over the next period of time". **Logan** said: "It remains clear to me, given the current outlook, that the FOMC needs to implement at least two more 25-basis-point rate increases," adding, the Fed should then pause to assess economic and financial developments. **Musalem** said: "I judge that additional firming of monetary policy will be necessary, and soon…incremental adjustments made earlier are usually less disruptive than larger and abrupt actions taken later".

Euro Area GDP growth surprised to the upside in Q3, registering a 0.4% gain in the flash estimate (consensus 0.2%). Annual growth edged up to 1.3%yr as a result. Amongst the core nations, growth was concentrated in Spain (0.6%), with activity only up 0.2% in Germany, flat in Italy and down 0.1% in France. Ireland saw another strong result, a 5.5% gain in Q3 extending Q2's 10.2% increase, offsetting the decline experienced through Q4 2025 and Q1 2026.

The **Euro Area unemployment rate** was revised up to 6.5% in August and unchanged in September. The current level is just above the record low for the series.

Local Data

Private sector credit grew 0.6%mth in September, with housing credit growth easing, led by investor credit, while business credit remained relatively resilient (see here).

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